

**DETERMINANTS OF MALAYSIA EXPORT ON
NATURAL RUBBER: AN EMPIRICAL EVIDENCE**

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ABSTRACT

This study is concern with the determinants of export on natural rubber in Malaysia and the empirical evidence. The objective is to study the trend of natural rubber, to estimate the determinant on supply of natural rubber and to analyze the supply elasticity on supply of natural rubber in Malaysia from first quarter 1997 until fourth quarter 2003. Independent variable that has been identifying to complete the study, which is price of natural rubber, price of synthetic rubber, price of crude oil, exchange rate, tyre production and gross domestic product (GDP) per capita. Because of the fluctuation happen during the period of time, researcher interested to know the factors influencing the fluctuation in quantity supply of natural rubber in Malaysia.

To meet the objective, researcher has used three method of study. For trend analysis, researcher want to figure out the fluctuation happen on independent variable during the period of time. In addition, for supply estimation, researcher used econometric model to analyze the data while supply elasticity calculated using ordinal least square (OLS). The study found that among the independent variable, there are only three variables that significant with the objective which is price of natural rubber, price of crude oil and gross domestic product (GDP) per capita. From the estimation result, it shows that synthetic rubber becomes the complementary goods for natural rubber. In addition, elasticity output shows that price of natural rubber is inelastic during the period of time.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

In this chapter, researcher will explain about the history of natural rubber in Malaysia, the different formation of natural rubber that has been exported, list of the countries which export natural rubber from Malaysia and also the contribution of natural rubber export to the total commodities export from 1997 until 2003. In addition, this chapter also focuses on problem statement, objective of study, significance of study, limitation of study and definition of term.

1.1 Background of the Study

Rubber is an elastic hydrocarbon polymer, which occurs as a milky emulsion (known as latex) in the sap of several varieties of plants. Rubber also can be produced synthetically. It has been introduced in Malaysia by Henry Nicholas Ridley who was appointed Director of the Singapore botanic garden in 1888. According to **Zainal Isham Ismail (2001)** Thailand is the largest producer with output 2.3 million tonnes of rubber a year, followed by Indonesia at about 1.4 million tonnes and Malaysia at about 650,000 tonnes.

According to **Malaysian Rubber Board (2006)**, natural rubber is one of the commodities that contribute to the Malaysian economic growth. The demand on natural rubber has provided job opportunities to many people in Malaysia especially for rural area. For example the number of workers employed in the